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May 31, 1994



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Douglas Patch, Chairman
Nuclear Decommissioning Financing Committee
N.H. Public Utilities Commission
8 Old Suncook Road
Concord, NH 03301

RE: NDFC 93-1

Dear Mr. Patch:

In accordance with the requirements of Procedural Order No. 6, here is an update of the decommissioning study for Seabrook Station Unit 1. It consists of the following:

1. A report entitled "Decommissioning Cost Study for the Seabrook Station Unit 1" dated May, 1994 by TLG Services, Inc. The TLG study provides a detailed evaluation of the costs associated with decommissioning at the end of Seabrook's licensed life.

2. A report entitled "Update of the 1992 Estimated Unit Volume Waste Disposal Charge for Seabrook Decommissioning Waste" dated May, 1994 by Vance & Associates. The Vance report provides an estimate of the unit costs for the disposal of the low level radioactive waste (LLW) generated during the decommissioning of Seabrook. The TLG Study then takes this unit cost, applies it to the LLW volume, and calculates the total projected LLW disposal costs.

3. A report entitled "Seabrook Nuclear Decommissioning Financing Fund: Review of Funding Schedule and Investment Assumptions" by the Fund's Investment Consultant, William M. Mercer Asset Planning, Inc. dated May, 1994.

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4. The proposed revised funding schedule with an anticipated effective date of January 1, 1995.

A joint report from the New Hampshire State Treasurer and North Atlantic Energy Service Corporation (North Atlantic) will be filed, as required by Section 10.01E of the Seabrook Nuclear Decommissioning Fund Master Trust Agreement, after the Treasurer has had an opportunity to review this submittal in its entirety. As required by Procedural Order No. 7, the joint report will be filed on or before thirty days after the filing by North Atlantic.

Summary of 1994 Update

The 1994 TLG Study estimates that it will cost approximately \$361M (1994 dollars) to decommission Seabrook, using the prompt dismantlement method, at the expiration of its licensed life in 2026. An important component of the estimate is the cost of disposing of decommissioning LLW. In the 1991 report, it was assumed that the burial costs would be \$139 per cubic foot. In 1994 that projected cost has escalated to \$233 per cubic foot. However, because volume reduction becomes more economical as the unit cost goes up, the proportion of the total cost that is attributed to LLW burial in the TLG study has remained relatively constant at about 20%.

The proposed funding schedule, which continues to assume that decommissioning costs escalate at 4.25%, assumes a start date of January 1, 1995. This allows time for public hearings and review by the Committee. The proposed schedule therefore shows an initial decommissioning cost, dated January 1, 1995, of \$376M, which is the \$361M escalated at 4.25% over one year.

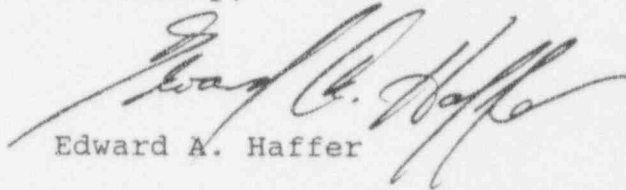
The Funds' Investment Consultant recommends that the current assumed rate of inflation not be modified at this time. It also recommends that the earnings assumptions in the funding schedule remain unchanged except for the rate of return assumed for the Qualified Fund (Fund No. 1). The Qualified Fund's assumed rate of return reflects the continued imposition of the so-called "Black Lung" investment restrictions. If and when those restrictions are removed by the Federal Energy Regulatory Commission and the new Investment Guidelines dated November 1, 1993 are implemented, North Atlantic will promptly submit a revised funding schedule to the Committee.

The Investment Consultant's report also recommends modifications to the funding schedule to reflect revised Seabrook Joint Owner elections, actual April 30, 1994 fund balances, and projected year-end 1994 fund

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balances. These will, of course, be updated to reflect balances at the time of implementation. Also incorporated into the revised funding schedule are updated fund administrative expenses over the life of the fund.

Sincerely,



Edward A. Haffer

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Encl.

cc w/enc:

All Committee Members
Winslow Melvin
Alexander Kalinski, Esq.
Michael W. Holmes, Esq.
New Hampshire Attorney General's Office
Amy Ignatius, Esq.
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Seabrook Selectmen's Office

cc w/o enc: Remainder of Service List

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